

Differentiating fixed and variable expenses

Using real-world scenarios, students identify fixed and variable expenses and reflect on how they are similar and different.

Learning goals

Big idea

To manage your cash flow and maintain a budget, it's helpful to understand different types of expenses.

Essential questions

- What are different types of expenses?
- When might I encounter some of these expenses in my life?

Objectives


- Understand what a fixed expense is
- Understand what a variable expense is

What students will do

- Use the "Differentiating fixed and variable expenses" worksheet to identify fixed and variable expenses presented in real-world scenarios.
- Reflect on the similarities and differences between the two types of expenses.

KEY INFORMATION

Building block:

 Financial knowledge and decision-making skills

Grade level: High school (9-12)

Age range: 13-19

Topic: Spend (Budgeting)

School subject: CTE (Career and technical education)

Teaching strategy: Simulation

Bloom's Taxonomy level: Understand, Create

Activity duration: 45-60 minutes

STANDARDS

Council for Economic Education
Standard II. Buying goods and services

Jump\$tart Coalition
Spending and saving - Standard 2

Preparing for this activity

- ☐ Print copies of all student materials for each student, or prepare for students to access them electronically.
- ☐ While it's not essential, having students complete the "Categorizing expenses" activity before doing this one will make it a more meaningful experience.

What you'll need

THIS TEACHER GUIDE

Differentiating fixed and variable expenses (guide)

[bcbp_building_block_activities_differentiating-fixed-variable-expenses_guide.pdf](#)

STUDENT MATERIALS

Differentiating fixed and variable expenses (worksheet)

[bcbp_building_block_activities_differentiating-fixed-variable-expenses_worksheet.pdf](#)

Exploring key financial concepts

To plan and follow a budget, it's helpful to identify which expenses have fixed costs and which ones vary month to month. Fixed expenses generally cost the same amount each month (such as rent, mortgage payments, or car payments), while variable expenses change from month to month (dining out, medical expenses, groceries, or basically anything you buy from a store).

Teaching this activity

Whole-class introduction

- Distribute the "Differentiating fixed and variable expenses" worksheet, or have students access the worksheet electronically.
- Be sure students understand key vocabulary:
 - **Fixed expenses:** Expenses, like bills, that must be paid each month and generally cost the same amount. Some fixed expenses, like a utility bill, may also be variable because the amount changes each month depending on usage.

- **Variable expenses:** Expenses that change in amount from month to month.
- If your students haven't previously completed the "Categorizing expenses" activity, spend some time helping students understand the differences between these two categories of expenses.

Individual or group work

- Direct students to read the scenarios on the worksheet.
- Students can work individually, or with a partner, to determine whether each scenario describes a fixed or variable expense and explain how they came to their answer.

Wrap-up

- Review the scenarios as a class and have students share their answers. Make sure students can clearly distinguish between the two types of expenses.
- Give students a few minutes to reflect about fixed and variable expenses.
- Gather their collective ideas through class discussion.

Suggested next steps

Consider searching for other activities that address the topics of buying things, budgeting, paying bills, or managing credit.

Measuring student learning

This answer guide provides possible answers for the "Differentiating fixed and variable expenses" worksheet.

Answer guide

1. Variable
2. Fixed
3. Variable
4. Variable
5. Fixed

Keep in mind that students' answers for the reflection question will vary. The important thing is for students to have reasonable justification for their answers.